

Rate Comparison Facts vs. Fiction: Questionable Reliability of APS's Claims

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Docket No. **E-01345A-19-0003**

Open Meeting

January 14, 2020

Before and After November 15, 2019

Find out if your plan is right for you

Your service plan
Saver Choice Max

Compare plan



Our plan comparison tool
is currently unavailable.

If you are interested in comparing plans, or recently made a plan change and want to verify you're on the plan that will save you the most money, our customer care center advisors can help: 602-371-7171 (800-253-9405).

We are working diligently to make our new tool available to you. In the meantime, we've got you covered. For tips, tools and programs to help you save money on your bill, go to aps.com/save.

Help & Support >

Contact us



Your current plan is Saver Choice Max, but based on your usage data,

we recommend

Saver Choice Plus

See plan details >

Estimated annual cost

Estimated highest
monthly bill

\$1,719.17

\$303.57

Annual savings from
switching*

\$49.54

Estimated lowest
monthly bill

\$47.69

Select plan to save

Questionable Reliability of APS Claims

1. APS has claimed that the Peak Hour Shift Error began in February, 2019.¹
2. APS has also claimed that “On November 14, 2019, APS learned that there were issues with its Rate Comparison Tool.”²

However, the following evidence raises many serious questions about the reliability of APS’s claims that the Commission must thoroughly investigate, regardless of the AG’s investigation, and not just give APS a pass.

¹ <https://docket.images.azcc.gov/E000004154.pdf>

² <https://docket.images.azcc.gov/E000004332.pdf>

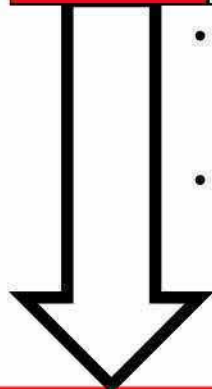
Peak Hour Shift Error (Feb 2019)

- The Peak Hour Shift Error reportedly treated on-peak hours as **2-7 PM** as opposed to the billed peak hours of 3-8 PM.
- **As a result, the Rate Comparison Tool incorrectly treated the 2-3 PM off-peak hour usage for ALL customers on time-of-use or demand plans (e.g. TOU-E, R-2, R-3) as on-peak and steered many to more expensive plans.**
- **The defective tool may have also erroneously informed untold number of customers that they were already on their most economical plan (and that no action was necessary) when they may not have been on their best plan.**

The Result? → Wrong Plan Advice

- The Peak Hour Shift Error resulted in APS counting the Monday-Friday off-peak, **high usage** (for both kWh and kW) for the entire month *as if* it were on-peak:

	BILLED PEAK				
2-3 PM	3-4 PM	4-5 PM	5-6 PM	6-7 PM	7-8 PM
10	1	1	1	1	1

- 
- For example, instead of **5 kWh** usage and **1 kW** demand for 3-8 PM, the tool would have erroneously used **14 kWh** usage and **10 kW** demand!
 - Although this error would have had greater impact on aggressive on-peak savers, ALL customers on TOU-E, R-2, and R-3 plans would have been impacted who used more power during the 2-3 PM off-peak hour and less during the 3-8 PM on-peak hours.

- **More expensive new plan recommendations**
- **Incorrect current/future annual cost estimates**
- **Erroneous projections of future savings/costs**

Before August 2017: 12-7 PM On-Peak

- Prior to the August 2017 rate increase there was a time-of-use plan called Time Advantage (ET-2) and a demand-based plan called Combined Advantage (ECT-2).
- Customers had been on these time-of-use plans (different on-peak/off-peak rates) for years.
- For both plans, on-peak was **12-7 PM** Monday-Friday excluding the holidays.
- For ECT-2 and ET-2 customers, **7-8 PM** was off-peak and, typically very high usage *after* on-peak ended at 7 PM.

After August 2017: 3-8 PM On-Peak

- After the rate increase, there was a major paradigm shift in the on-peak window: **3-8 PM**
- But the Rate comparison Tool (as well as APS's new rate projections) assumed that:
 - “No adjustments were made to account for customers modifying their behavior to reduce consumption during the new, shorter, 5-hour on-peak window.”³**
 - In short, the 7-8 PM historical, off-peak usage was treated as on-peak, resulting in “overstated projections” and wrong plan recommendation by APS, as exemplified in Complaint No. **2017– 144731** filed in Aug 2017 because APS used **12.6** kW demand vs. customer's **4.1** kW on-peak, historical demand.⁴
 - **That complaint was not an isolated one as APS has tried to portray it, but represented only the tip of the iceberg.**

³ <https://docket.images.azcc.gov/0000191374.pdf>

⁴ <https://docket.images.azcc.gov/E000004180.pdf>

SAME RESULT → Wrong Plan Advice

- This baffling, across-the-board, “nobody will change anything” assumption led to **exactly the same result** as the Peak Hour Shift Error.

			NEW BILLED PEAK				
12-1 PM	1-2 PM	2-3 PM	3-4 PM	4-5 PM	5-6 PM	6-7 PM	7-8 PM
1	1	1	1	1	1	1	10
OLD BILLED PEAK							

- There were more than 88,000 customers on the ECT-2 plan and more than 260,000 customers on the ET-2 plan who would have been similarly misled since AUGUST 2017 (online, through letters/postcards, and by APS customer service) and potentially steered to a wrong plan by assuming that the off-peak 7-8 PM high usage would continue unchanged even under the new rates.

- **More expensive new plan recommendations**
- **Incorrect current/future annual cost estimates**
- **Erroneous projections of future savings/costs**

Did the RC Tool's Problem from Day One Generated APS Overearning?

- **Thus, the problem of the Rate Comparison Tool providing wrong plan recommendations to potentially hundreds of thousands of ratepayers goes back to August 2017 when the rate increase took effect, and that problem has persisted ever since.**
- **This finding may partly explain (in addition to the many rate design issues) why more than half the ratepayers continue to be not on their most economical plan (a problem that the new rate case will NOT solve).**
- **And, in turn, that may explain why Overland Audit Report concluded that “APS had an ACC jurisdictional revenue surplus of approximately \$105 million based on 2018 operations” and why a “net decrease from currently authorized rates of \$105.0 million is indicated.”⁵**

⁵ <http://docket.images.azcc.gov/E000003432.pdf>

Unanswered Question: Who is “APS” or “We”?



**Who exactly is
"APS" or "we"?**

Dear Commissioner Márquez Peterson,

Thank you for your December 18, 2019 letter. On November 14, 2019, **APS** learned that there were issues with its Rate Comparison Tool. APS immediately took the tool down

In addition to the 12 customer inquiries attached to your letter, we have independently searched our records and identified 17 customers (Attachment A) who were referred by ACC Consumer Services to APS's Consumer Advocate's office between August 18, 2017 (when new rates were approved) and November 14, 2019 (the date on which **we** became aware of the issues with the tool). These complaints, as well as those included in your letter, fall into the following categories:¹

- Does every employee at APS need to know? Who counts as "we"? Who in "management" exactly? Daniel Froetscher? Jeff Guldner? How does one decide when "APS" learned something?
- Is **Elizabeth McFall**, a Sr. Consumer Advocate, who has answered many consumer complaints made to the ACC since the rate increase, has made statements to the media about the rate increase and about savings by switching over to a new rate plan, and had spoken with Pullman's daughter regarding the billing issues, **NOT** considered "APS"? Who did she speak with about this at APS?



Unanswered Question: Interval Data vs. Billed Data in McFall Email

APS's third party vendor uses interval data to perform rate plan comparisons because prior to the current time-of-use rate plans which all have on-peak hours of 3pm to 8pm Monday through Friday, there were various time-of-use rate plans with different on-peak hours.

By the end of the year, APS will perform rate plan comparisons internally and they will be calculated based on billed data. The rate plan comparison tool available on the APS website will reflect this change.

The "interval data" explanation above from Ms. McFall is bogus:

- The "different on-peak hours" (namely, 12-7 PM or 9 AM-9 PM depending on the plan) ended way back in August 2017 and **all** the customers were transitioned to the New Rates (3-8 PM on-pea) as of May 1, 2018 — which was 18 months prior. So, this explanation by APS in October 2019 for using interval data makes zero sense.
- Clearly, APS knew very well that rate comparison based on interval data did not match the billed data. The fact that APS was planning to perform rate plan comparisons "internally" based on "billed" data (without the third-party vendor or using interval data) speaks volumes about APS's contemporaneous knowledge about the issues and discrepancies related to the Rate Comparison tool.



Unanswered Question: Missed Opportunities, Really?

I had thought that the rate comparison would be based on my actual monthly usage that would also match my actual bills (except for demand KW that would be in the hourly usage). Please let me know if I am mistaken but when I compare the usage parameters you have sent below with the actual bills, they don't match. And these are not rounding errors. I will just give one month as an example:

This is what you provided for **December 2018 usage**:

<image002.png>

When I compare it to my **actual December 2018 bill** below, I find the following:

Billing Days = 29 (matches)

Total KWH = 557 (you show 450)

On-Peak KWH = 42 (you show 36)

Super-Off-Peak = 30 (you show 25)

Off-Peak KWH = 485 (excluding super-off-peak as shown on the bill, you show 389)

Demand KW = 1.5 (not on the bill -- based on my download of hourly data, but you show 1.2)

- **On September 28, 2019, Ms. Champion had very specifically provided APS with examples about the severity of the discrepancies in the Rate Comparison data that they were neither “slight variations” nor explained by the peak hour shift error (e.g., Total KWH).**



Unanswered Question: Why Rowell in Hours, but Not McFall in Weeks?

- Jenna Rowell at APS confirmed to Ryan Randazzo at The Arizona Republic within hours on November 14, 2019 that the problems with the comparison tool only affected “this customer” -- making it sound, at least at first, as if it was not a widespread, systemic issue:
“We can confirm that the comparison tool results and the downloadable usage data are inconsistent for this customer. We will contact this customer to apologize for that and work with him. We always encourage customers to contact us with these types of concerns and questions.”
- Why was Stacy Derstine, listed on the PNW Leadership webpage as chief customer officer, supposedly informed immediately when Jenna Rowell was contacted, but not when Elizabeth McFall had known about the same problems for weeks?
- Is it possible that APS knew all along and fessed up to a minor offense only after Commissioner Olson called APS on November 14-15?
- How did APS determine so quickly thereafter the tool’s data error?



Management Ignorance: Not an Excuse

- Daniel Froetscher's claim at the Open Meeting on December 11, 2019 that "management" wasn't aware is highly unreliable, and meaningless even if it's true.
 - If "management" knew and denied knowing it, that would constitute lying to the commission.
 - And if "management" didn't know, that is hardly an excuse because it would constitute dereliction of management duties.
- In that respect, Major League Baseball's recent response to the sign-stealing scandal investigation and claims of "ignorance" by the Astros General Manager is noteworthy...



MLB Held “Management” Accountable

- MLB Commissioner Rob Manfred’s actions when dealing with management’s supposed “ignorance”:
 - **“Regardless of the level of Luhnow’s actual knowledge, the Astros’ violation of rules in 2017 and 2018 is attributable, in my view, to a failure by the leaders of the baseball operations department and the Field Manager to adequately manage the employees under their supervision, to establish a culture in which adherence to the rules is ingrained in the fabric of the organization, and to stop bad behavior as soon as it occurred.”**
 - “Jeff Luhnow shall be **suspended without pay** for the period beginning on January 13, 2020 and ending on the day following the completion of the 2020 World Series.”
 - GM Luhnow **was fired** by the Astros after the MLB report. **(Here, the entire APS management team was promoted!)**



ACC: Bark Worse Than the Bite?

Power to Inspect and Investigate

The corporation commission, and the several members thereof, shall have power to inspect and investigate the property, books, papers, business, methods, and affairs of any corporation whose stock shall be offered for sale to the public and of any public service corporation doing business within the state, and for the purpose of the commission, and of the several members thereof, shall have the power of a court of general jurisdiction to enforce the attendance of witnesses and the production of evidence by subpoena, attachment, and punishment, which said power shall extend throughout the state. Said commission shall have power to take testimony under commission or deposition either within or without the state.

- **However, blindly acquiescing to and relying on APS's contrived contrition, fake apologies, and unverifiable assurances is antithetical to ACC exercising its power to inspect and investigate.**
- **The Commission must send a strong message through concrete actions that the days of hubris and culture of entitlement are over.**

Regulation Without is Tyranny

- **The ACC should begin an investigation without waiting months for an outside consultant by immediately asking for:**
 1. Any and all documents, correspondence, including but not limited to emails, records, notes, memoranda, electronically stored information, or tangible things in the custody or control of APS, its employees, directors, agents, designees, parent companies, holding companies, subsidiaries, associates, and/or affiliates, including Pinnacle West Capital Corporation, that relate to the Rate Comparison tool.
 2. Any and all written correspondence, including but not limited to e-mails, letters, facsimile, text messages, and voice transcriptions, between the following: (1) GridX, and (2) APS, its employees, directors, agents, designees, parent companies, holding companies, subsidiaries, associates, and/or affiliates, including Pinnacle West Capital Corporation, that relate to the Rate Comparison tool.
 3. Testimony under oath at a Special Open Meeting from various individuals, including but not limited to: Elizabeth McFall, Traci Dean, Jenna Rowell, Stacy Derstine, Daniel Froetscher and his direct reports, and Ted Geisler and his direct reports.
 4. More questions at: <https://docket.images.azcc.gov/E000004258.pdf> and <https://docket.images.azcc.gov/E000004203.pdf>